St. John's Board of Trade - Outlook '99

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Fishing Industry Highlights - 1998

- Preliminary data indicates that 248,000 tonnes of fish were landed in 1998, an increase of 22% over 1997. The landed value was $380 million - the highest of any previous year.

- The estimated the export value of Newfoundland and Labrador fish products was approximately $700 million, compared to approximately $600 million in 1997.

- Approximately 14,000 commercial fish harvesters were active in 1998, compared with 11,000 the previous year. In addition, some 13,000 individuals worked in the fish processing sector, compared with 10,000 in 1997. From 1996 to 1998, full-time equivalent employment in fish processing increased from 4,500 to 6,200 annually, an increase of 38% over the period.

- The industry generated 16,900 person years of direct employment, and 5,700 person years of indirect employment. Total employment attributable to the industry was 22,600, or 11.4% of total provincial employment.

- The largest single contribution to improved industry performance has been the northern shrimp fishery. To date, $110 million has been invested in shrimp infrastructure, $50 million in the upgrading of fishing vessels and $60 million in shrimp processing facilities, all private capital. Allocations to the inshore fishing sector in 1998 generated substantial economic benefits throughout all areas of the province. Seven companies presently process shrimp and an additional three companies are expected to begin processing in 1999. Approximately 250 inshore vessels participated in the inshore fishery, and the fishery employed about 2,000 individuals on vessels and in plants. Total landings for the year, from both inshore and offshore effort, will approximate 54,000 tonnes **making this province the largest producer of cold water shrimp in the world**. These superior products are marketed predominantly in the United States and the United Kingdom. Marketing efforts for much of the product is co-ordinated through Fishery Products International Limited.

- The Department of Fisheries and Aquaculture issued 186 processing licences; there were 71 core plants, 95 non-core plants, 14 secondary processing enterprises, and 6 facilities processing aquaculture production only. Of the total number of licenses issued, 142 plants were active

- In excess of 40 species of fish were processed, including lesser known species such as whelk, rock and toad crab, and clam. Some of the more high volume

landings included 54,400 tonnes of shrimp, 52,600 tonnes of snow crab, 40,000 tonnes of caplin, 22,000 tonnes of cod and 21,000 tonnes of herring.

- Groundfish landings increased from 38,570 tonnes in 1997 to 52,580 tonnes in 1998, an increase of 36 percent. Landings of pelagic species increased to 62,170 tonnes and shellfish to 133,260 tonnes, an increase of 43%and 10% respectively.

- In excess of $550,000 was spent in 1998 on resource development initiatives. These included inshore resource assessments of shrimp, and resource identification surveys for whelk and sea urchin; results of both were promising.

- The 1998 seal quota of 275,000 animals was harvested with a landed value of $12 million, and an estimated export value of $25 million. Upwards of 3,000 fishermen and 350 plant workers were employed. In addition to cured and prepared sealskins, seal products include seal meat, Omega-3 oil products, sausage and other specialty food items. New seal processing plants were opened at Catalina and Springdale in 1998.

- The secondary processing sector had an estimated processed value of $20 million and employed several hundred plant workers.

- The Department of Fisheries and Aquaculture continued to work with industry on several successful quality assurance initiatives; these included new fish inspection regulations related to the holding and transporting of fish; conducting over 3,000 inspections; and conducting regional meetings on quality and fisheries development opportunities. These measures have resulted in tremendous improvements in quality assurance - improvements that have been recognized in the marketplace.

- In 1998, the Professional Fish Harvesters Certification Board registered a total of 15,800 individuals as fish harvesters. Certification by the Board is a requirement for participation in the commercial fishery. The process is contributing to the formation and recognition of professional fish harvesters and the development of a multi-species fishery in which participants have a greater voice in management of the fishing industry.

- The provincial government worked with industry to implement several recommendation of the Task Force on Fish/Crab Price Settlement Mechanisms. The main initiatives included: a two year pilot project on fish price negotiations (Final Offer Selection); research on fish auction systems; and increased quality

assurance measures. The initial year of the fish price negotiation pilot project met with very positive results, particularly in that there were no delays in fisheries opening dates for the 1998 season.

- In 1998, the province's aquaculture sector produced 2,800 tonnes of product, with an estimated market value of $12.9 million. Salmonid production was valued at $10.5 million and shellfish production at $2.2 million.

- There were 206 licensed aquaculture sites. Of the 124 commercial sites, 67 were engaged in shellfish aquaculture (blue mussels and scallop) and 57 in finfish aquaculture (steelhead, salmon, rainbow and other trout, Arctic char and cod). Remaining licences were issued to pre-commercial sites and research activity.

Outlook for 1999 - Fishing Industry

- The continued strong performance of shrimp, crab and surf clams fisheries in 1998 increased confidence in the industry, given the continued slow recovery of major groundfish stocks. The full harvest of the 20,000 mt increase in the northern shrimp inshore quota was very positive news and it appears that the resource remains healthy. Indeed, research survey tows are dominated by shrimp, which have appeared in the absence of groundfish.

- With the exception of declining catch rates of crab in some nearshore areas, overall catch rates remain high. Results from exploratory fisheries beyond 200 miles offer further growth. It is anticipated that for the short to medium term, shellfish quotas should remain stable or increase nominally.

- A decline from record Icelandic scallop landings of 11,000 mt in 1997 attributed in large part to the fleet redirecting the activity to shrimp harvesting. However, a reduction of the high level of exploitation on the 3LNO scallop grounds should provide an opportunity for replenishment of the resource. Lobster landings remain stable near the 2,000 mt average and planned conservation measures should result in greater sustained landings in the medium term. New grounds have been identified in nearshore areas in 3Ps and have helped offset some of the decline.

- While the prospects for groundfish remain poor, there have been positive developments. The increase of the 3Ps cod TAC to 20,000 mts in 1998 is a gradual movement to the historical catch levels. Further, improving recruitment during the 1990s has resulted in favourable prospects for the turbot resource for

the next several years. While the inshore component of the index fishery for northern (2J3KL) cod landed the allotted 3,000 mt, an offshore sector fishery was discouraging as catches on traditional grounds were negligible. The inshore fishing activity confirmed information suggesting that northern cod are largely concentrated int he bays. The virtual absence of cod on the offshore fishing grounds corroborates research vessel survey observations to this effect. Discouraging recovery prospects also exist for Northern Gulf (4RS3Pn) Cod and it is likely that a recovery to traditional harvest levels for both these stocks will still be long term. With the exception of opportunities in Unit II and 3O redfish resources which remain stable, the prospects for the larger Unit I and 2+3K stocks appear poor. The re-opening of the 3LNO yellowtail flounder fishery was a welcome respite to several years of NAFO imposed moratorium.

- The highly variable nature of pelagic (i.e. capelin and herring) resources (and market swings) make short-term resource and landings forecasting difficult. Massive recruitment events can change the outcome of the fishery from one year to the next. Indeed, the capelin fishery was hampered both by market and resource concerns during the early 1990s but over the past several seasons, the resource has been available and markets favourable. The near full harvest of the 1998 capelin TAC was a boost to the fishing sector. Biomass estimates remain stable and a successful fishery is anticipated again in 1999. Herring resource prospects are variable for the northeast coast but the western coast of Newfoundland resource remains stable. As in previous years, sustained total landings near 20,000 mts are anticipated over the medium term.

- The processing sector is becoming more aware of the potential for secondary and value-added processing. There will be greater focus on new value-added salmon and mussel products, as well as on more complete processing of the snow crab and shrimp resource. The primary objective is to produce consumer-ready products, thereby increasing local plant employment, processing seasons and overall viability of the processing sector. It is anticipated that, as the trend continues, the secondary/value-added sector can reach $50 million and employ up to 500 people, turning out items such as breaded entrees, smoked products and specifically crab and shrimp products.

Outlook for 1998 - Aquaculture

- The aquaculture industry is poised to increase from present levels of production. Total production is expected to increase to 3,800 tonnes, of which there will be approximately 1,600 tonnes of finfish species, and 2,200 tonnes of blue mussels.

- Through private sector initiatives, complemented by government financial assistance directed at research and development initiatives, the commercialization of target species: steelhead, salmon and mussels will continue.

- The success of a cod grow out pilot project conducted in 1998 is expected to increase participation in this activity. The primary limiting factor for commercialization is the availability of juvenile cod for grow out. With the expected increases in the Total Allowable Catch for 3Ps and 4Rs, 3Pn cod stocks, cod grow out is expected to move closer to full commercial operation in 1999.

- There will be a continued emphasis on halibut and scallop research and development in the province. Commercialization of these species is expected to occur over the next few years.

- Investment to support private sector investment will continue in 1999. The Aquaculture Component of the Canada/Newfoundland Economic Renewal Agreement (ACERA) will contribute to support our industry in a number of areas.

    - The Aquaculture Research Facility at the Memorial University of Newfoundland Ocean Sciences Centre ($2.6 million) is now nearing completion. The facility will undertake research and development activities directed at commercializing cold ocean finfish species such as halibut, cod and yellowtail flounder. The $5.0 million working capital fund will assist our mussel and scallop growers to expand products to meet increasing market opportunities. Increased efforts will be made, in joint ventures with industry partners to expand market opportunities for all aquaculture products.

Challenges for 1998

- The Department of Fisheries and Aquaculture, working with the Department of Fisheries and Oceans and industry participants, will be challenged to continue the momentum on quality assurance in the industry. As in 1998, efforts will focus on education and training, promotion and inspection activities to ensure quality remains an industry-wide priority.

- It will be critical to build on industry diversification initiatives commenced over the past number of years. Emphasis will be placed on harvesting and processing

new species, developing new products, and maximizing the value of traditional species.

- We must continue in 1999 to work toward obtaining full economic benefits from the harvesting, processing and marketing of our marine resources. This becomes increasingly important in a post-TAGS environment, which places more demands on maximizing the sustainable value of all our fisheries and aquaculture resources.

- To encourage and foster, through product development and marketing, increased operating seasons for the processing sector, thereby increasing viability, employment and profitability of the industry. This is achievable through technology transfer, new market promotion and other joint efforts with the private sectors.

- Continue to promote the seal industry, in conjunction with DFO, to ensure a long-term management strategy that will provide for a sustainable harp seal harvest and promote the recovery of groundfish stocks.

- To continue to work with the FFAW/CAW and FANL on improvements to the collective bargaining process. This will include entering into collective agreements that can be achieved without strikes and/or lockouts and without government intervention.

- While there has been significant increases in site productivity over the past year, many of the province's aquaculture sites are still not fully utilized. The Department of Fisheries and Aquaculture, in cooperation with the Department of Fisheries and Oceans and industry participants, will be working to optimize site utilization. Emphasis will be placed on the full utilization and commercialization of mussel aquaculture sites, and on opportunities with respect to scallop and cod grow out.

- An aquaculture industry challenge will be to attract new private sector capital to the salmonid aquaculture sector, and divest government's interest in the salmonid aquaculture facility at Bay d'Espoir.

A PROFILE OF THE NEWFOUNDLAND AND LABRADOR FISHING INDUSTRY 1998

Employment

Harvesting (Active Harvesters). 14,000
Processing (Person Years)[1] 6,200

GDP Indicators (%)

Fishery as a percentage of the GDP (Goods Producing Sector). 14.4%
Fish Processing as a percentage of the GDP (Manufacturing Sector). 31.7%

Landed Volume (Tonnes)

Groundfish. . . . . 52,575 tonnes
Pelagics. . . . . 62,172 tonnes
Shellfish. . . . . 133,258 tonnes
Miscellaneous[2]. . . . . 1,455 tonnes
Total. . . . . 249,460 tonnes

Landed Value (Millions $)

Groundfish . . . . . $ 57.7 million
Pelagics . . . . . $ 16.6 million
Shellfilsh. . . . . $294.9 million
Miscellaneous[3]. . . . . $ 15.2 million
Total . . . . . $384.4 million

Production Value (Millions $)

Groundfish . . . . . $134.3 million
Pelagics . . . . . $ 5.7 million
Shellfish . . . . . $442.4 million
Miscellaneous . . . . . $ 70.5 million
Total . . . . . $692.8 million

Primary Markets (% of Total)
January to October

United States 63%
Japan 15%
China 5%
Denmark 4%
Other Countries 13%

Processing Licences (By Type)

	No. Issued	*No. Active*
Core	71	61
Non-core	95	63
Secondary	14	13
Aquaculture	6	5
Total	186	142

Notes

1. During the peak season in 1998, approximately 13,000 individuals were engaged in the processing sector. 2. Includes lumpfish roe only. 3. Includes lumpfish roe and seal.